

Social Protection and Ireland's Crisis

XXXVIII IPSE Meeting, Dublin, October 5th 2012

Dr Micheál Collins
NERI (Nevin Economic Research Institute)
Dublin
mcollins@NERInstitute.net
www.NERInstitute.net



1. **About the NERI**
2. **Ireland's crisis**
3. **Social Protection in theory**
4. **Social Protection in practice**
5. **Reforming Government Finances**
6. **Reforms to Social Protection**
7. **Some References**



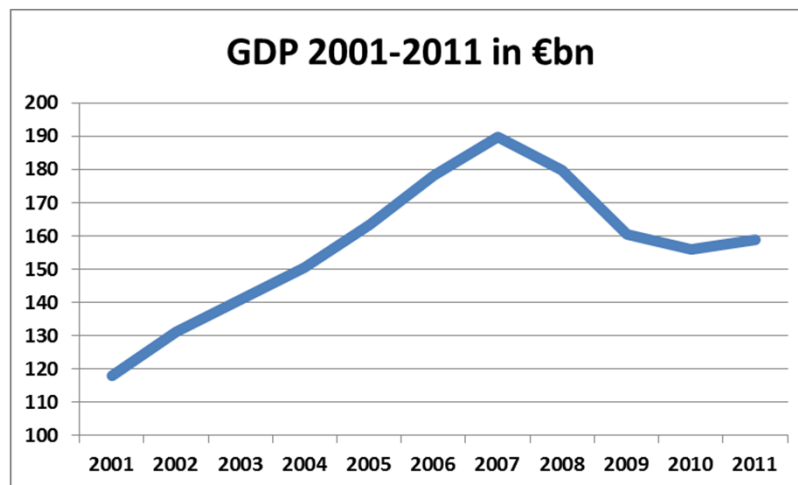
1. About the NERI

- A new economic research think-tank
- Established September 2011; launched March 2012
- Funding from various trade unions
- All island remit
- ‘Research for new economic policies’
- Focus:
 - Macroeconomy, Budget, incomes, earnings, fairness...
- Recurring publications on economy
- Focused research work on certain topics
- Web: www.NERInstitute.net

•

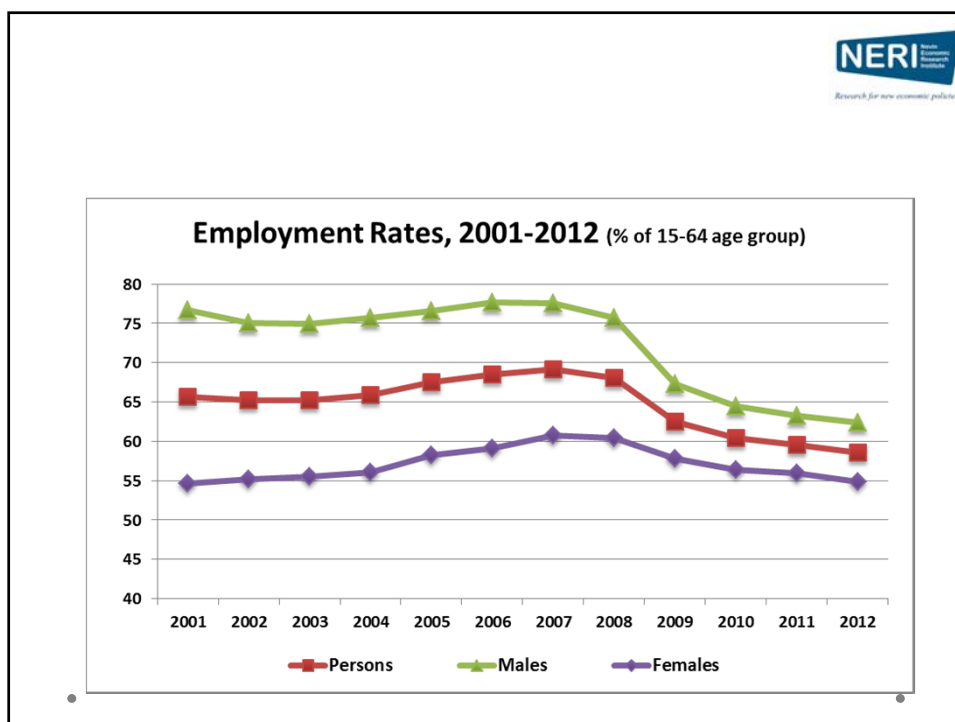
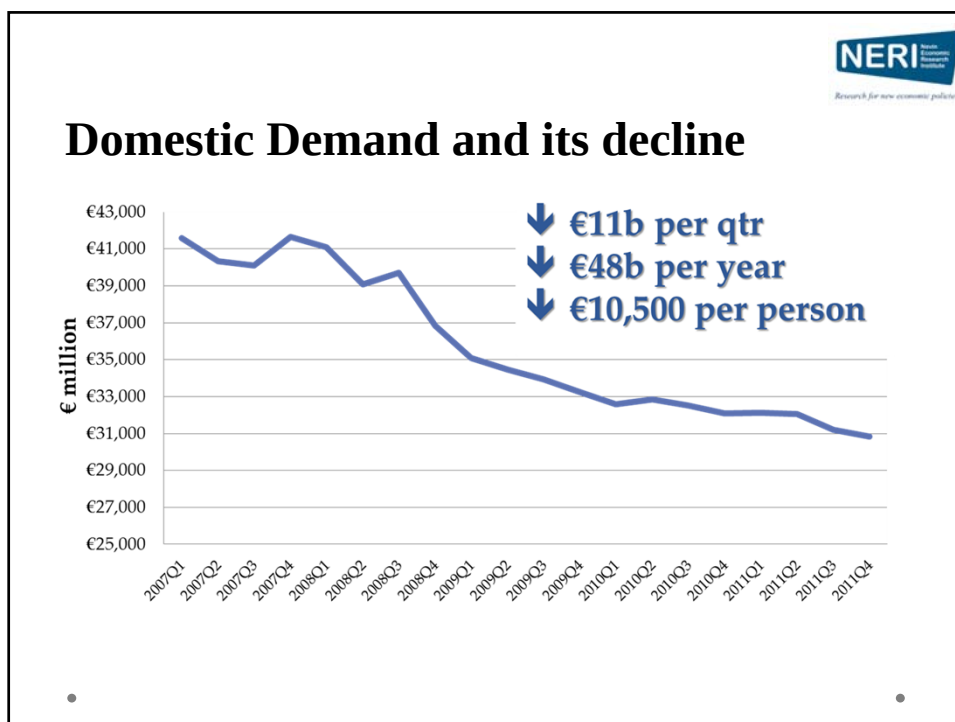
•

2. Ireland's Crisis

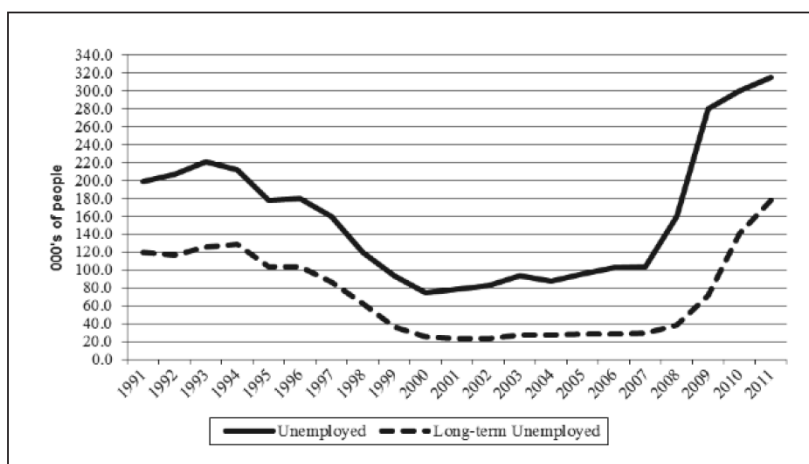


•

•



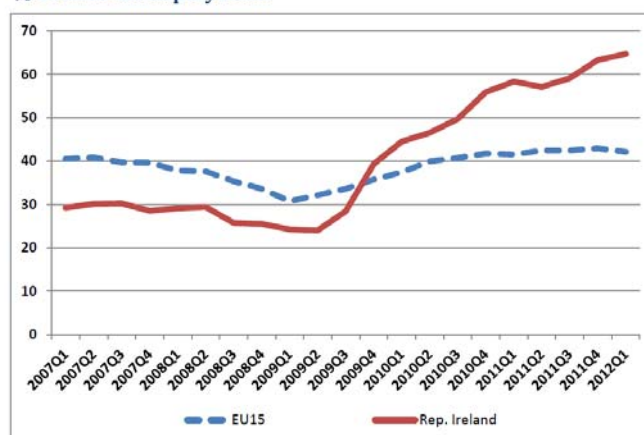
Unemployment: growth & level



Source: CSO, QNHS various editions

Long-term Unemployment

Chart 2.3 Rates of Long-term Unemployment (>12 months) as a % of total unemployment



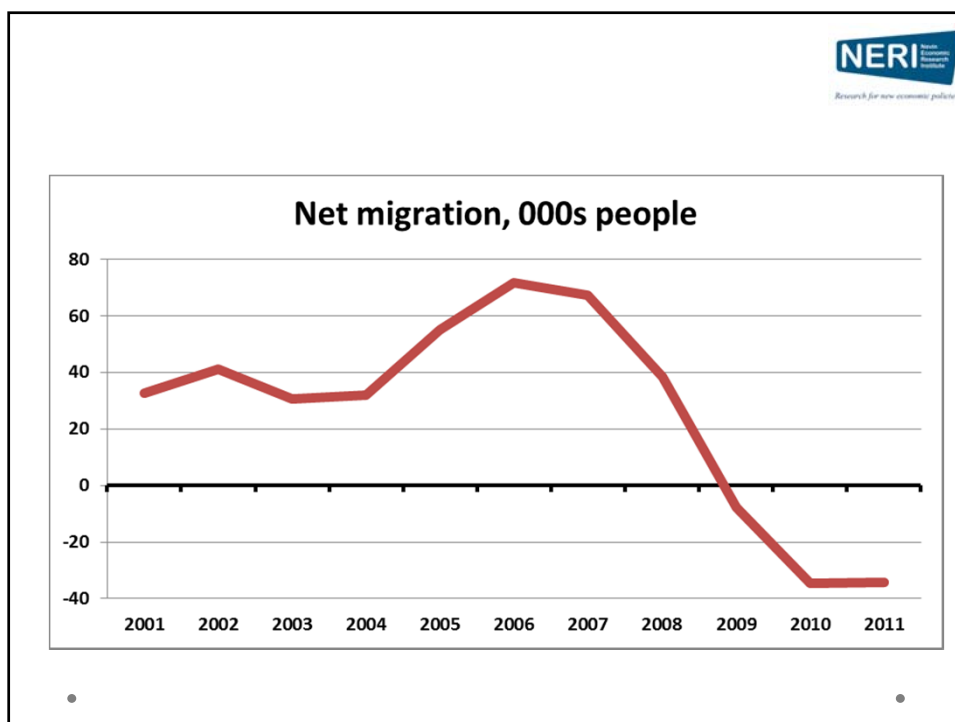
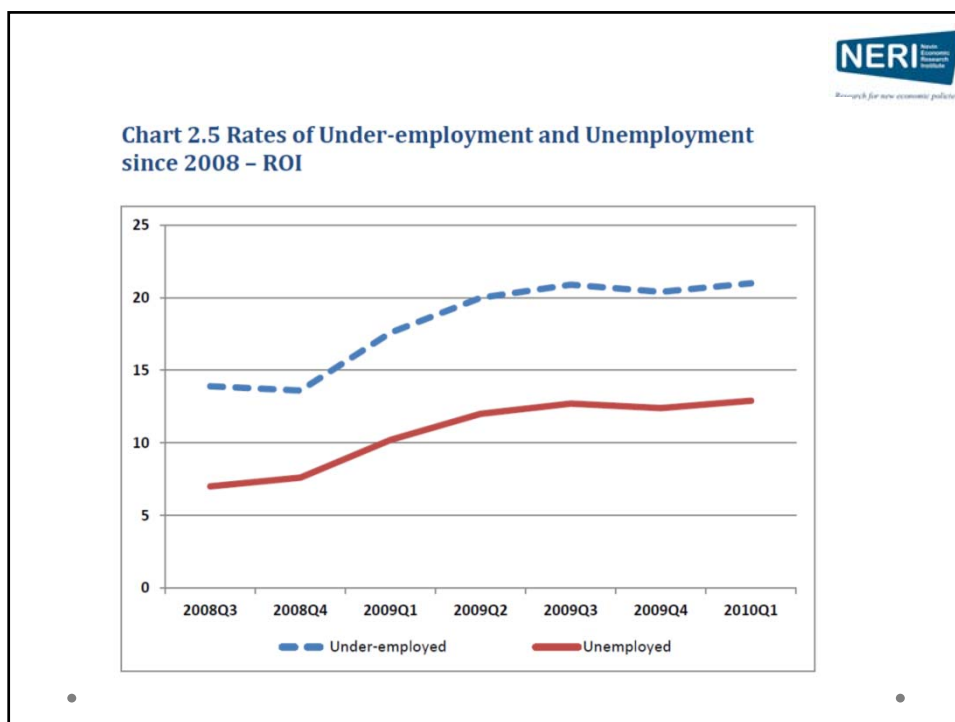
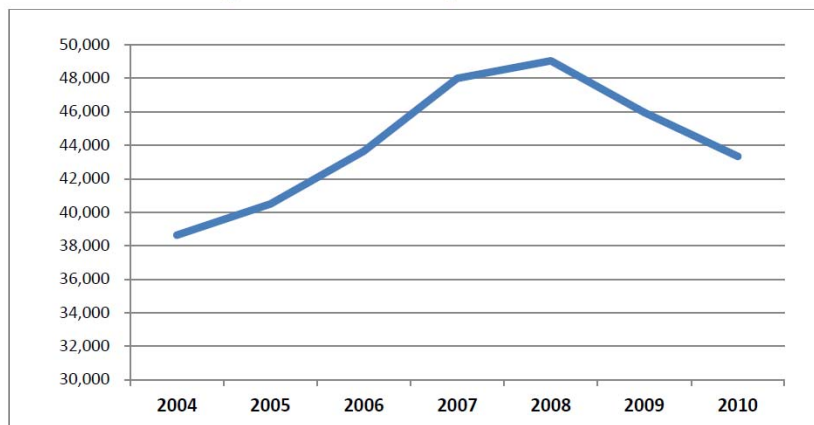


Chart 4.3a Average Household Disposable Income, 2004-2010



•

•

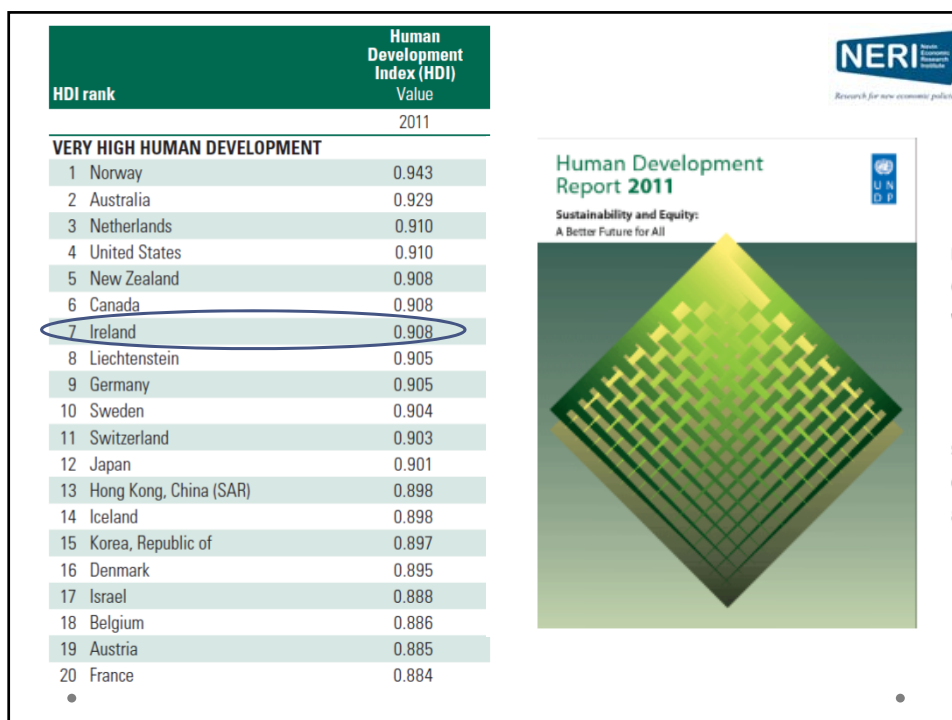
However:

Chart 4.1 GDP per capita in the EU, 2011 in € and €PPS terms



•

•



3. Social Protection in theory

- Comprehensive system covering a large proportion of society across the lifecycle:
 - o **Children** = universal child benefit
 - o **Pensioners** = almost universal old-age pension
 - o **Working age:**
 - unemployment benefit (social insurance)*
 - unemployment assistance (means tested post 12 months)
 - disability and illness benefit
 - widows benefit
 - single parent payment
 - carers payment
- Family Income Supplement (limited effectiveness)

- Overall, a large proportion of the population already receives some form of a transfer/credit from the government (approximately €29.5bn):

Category	Payment	€ per week	Numbers
Children	Child Benefit (CB)	€32.22	1,129,032
Pensioners	OAP	€230.30	393,825
Unemployed	UB / UA	€188.00	385,307
Disabled/Ill	Pension (various)	€193.50	250,178
Widows	Widows pension	€193.50	125,415
Carers	Carers allowance/benefit	€205.00	52,219
Single Parents	One parent payment	€217.80	92,326
Workers	Tax credits* / allowances	€63.50	1,821,300

Notes: Table and its contents have been generalised to facilitate presentation
 * not all earners will have income high enough to experience the value of these tax credits.



4. Social Protection in practice

- Big increases in key social welfare payment for the unemployed over years 2005-07
 - 30% of Gross Average Industrial Earnings
 - Despite subsequent cuts, 'benchmark' is still being held
- Impact is interesting to see on the effectiveness of social welfare payments
 - something that needs more study, but some insights:

Chart 5.4a Trends in poverty by gender, 2006-2010 (%)

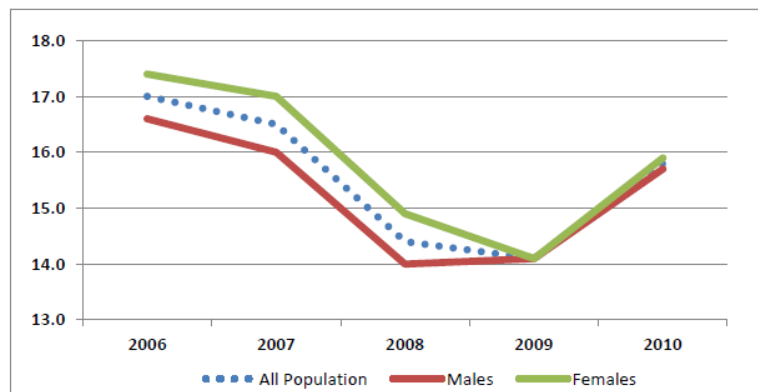
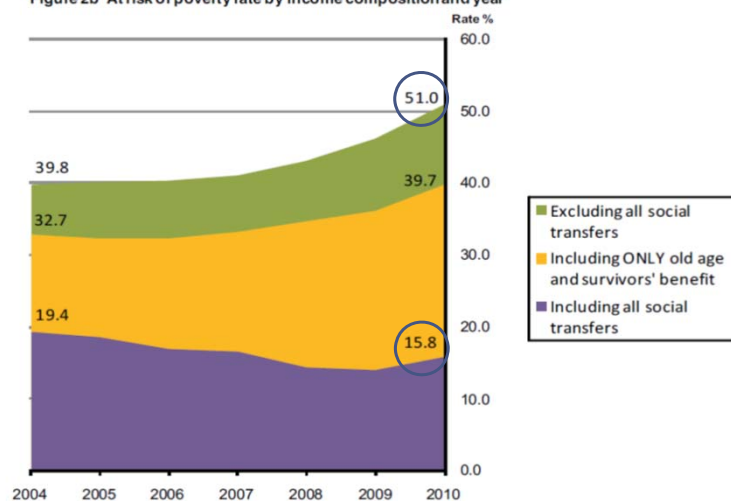


Figure 2b At risk of poverty rate by income composition and year

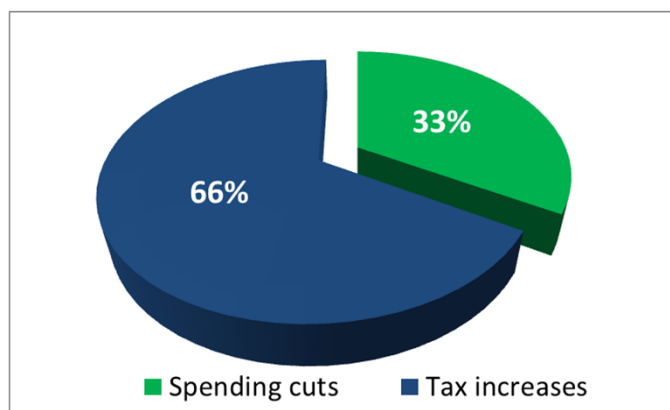
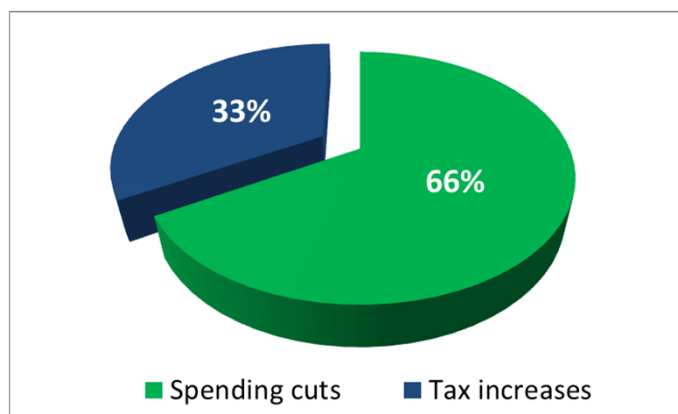


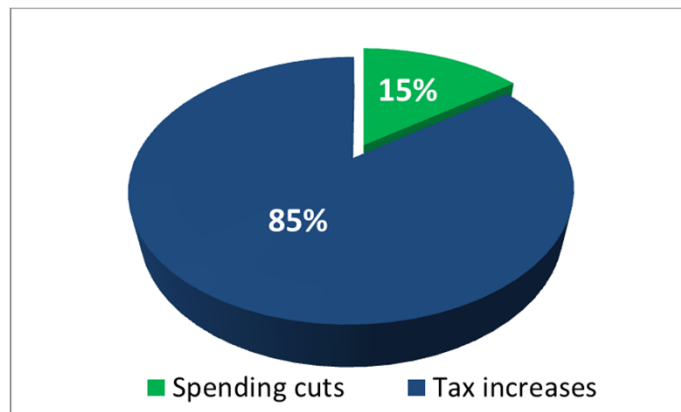
- So an important tool in income support
 - o To a certain degree it hides underlying divides in income etc within society
 - o Of course, that is the role of redistribution
- Threat to decreasing scale and nature of SW
 - o Fiscal pressures
 - o Labour market access concerns
 - o Ideology
- Threat to the sustainability of the social insurance aspect of the SW system
 - o Expensive...maintaining and extending entitlements will require higher contributions...from whom?

- Plus a domestic demand impact:
 - o SW recipients tend to spend all their income
 - less than the minimum income standard
 - so any cuts impact hard on the economy

5. Reforming Gov. Finances

- Three possible pathways





6. Reforms to Social Protection

- **In the short-term: Budgetary Pressure and Troika programme**

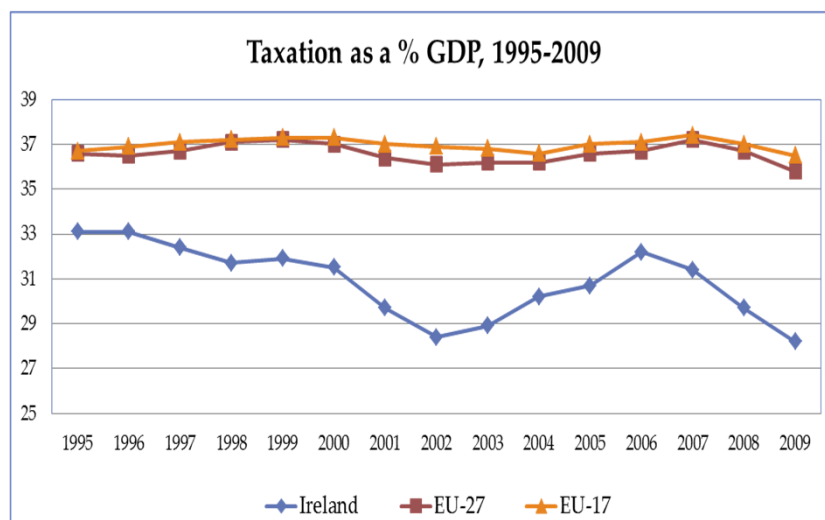
- o Threats to the SW budget
- o Reforms have been occurring
- o Reforms planned:
 - Child Benefit restructure
 - Self Employed to pay more PRSI
 - Single-parent reforms
- o Calls for broader cuts:
 - e.g. a % across the board to all payments

- **Considering these:**

- o impact on families, poverty, domestic demand and other state supports
- o Worthwhile?
- o Plus need for enhanced focus on LT unemployed
 - Skills mismatch; Community Employment schemes...

- **In the long-term: other routes:**

- o Demographics will drive up spending
- o Low-tax economy model...sustainable?
- o Some increases needed...tax and social insurance



5. Some References

- Central Statistics Office (2011). *Measuring Ireland's Progress 2011*. Dublin, Stationery Office.
- Central Statistics Office (2011). *Survey on Income and Living Conditions Results 2010*. Dublin, Stationery Office.
- Collins, M.L., B. Mac Mahon, G. Weld and R. Thornton (2012), *A Minimum Income Standard for Ireland – a consensual budget standards study examining household types across the lifecycle – Studies in Public Policy No. 27*, Dublin, Policy Institute, Trinity College Dublin.
- Collins, M.L., B. Mac Mahon, G. Weld and R. Thornton (2012). 'The Cost of Work – Insights from Minimum Income Standards Research for Ireland' *NERI Working Paper 2012 No 3*. Dublin, NERI.
- Collins M.L. (2011). "Taxation". In O'Hagan, J. and C. Newman (eds.), *The Economy of Ireland* (11th edition). Dublin, Gill and Macmillan.
- Collins, M.L. and S. Nivakoski (2011). *Inter-Regional Income Differences in Ireland: Real or Perceived Regional Divides?* in editor(s) Regional Studies Association, *Contested Regions: Conference Proceedings*. Seaford, United Kingdom, Regional Studies Association.
- Drudy, P.J. and M.L. Collins (2011). 'Ireland: From Boom to Austerity'. *Cambridge Journal of Regions, Economy and Society* 4(3): 339-354.
- Mac Mahon, B., G. Weld, R. Thornton and M.L. Collins, (2012), *The Cost of A Child – a consensual budget standards study examining the direct cost of a child across childhood*. Dublin, Vincentian Partnership for Social Justice.
- NERI (Nevin Economic Research Institute) (2012). *Quarterly Economic Facts – Autumn 2012*. Dublin, NERI.
- NERI (Nevin Economic Research Institute) (2012). *Quarterly Economic Observer – Autumn 2012*. Dublin, NERI.
- Social Justice Ireland (2011). *A New and Fairer Ireland - Socio-Economic Review 2011*. Dublin, Social Justice Ireland, 2011.

Social Protection and Ireland's Crisis

XXXVIII IPSE Meeting, Dublin, October 5th 2012

Dr Micheál Collins
NERI (Nevin Economic Research Institute)
Dublin
mcollins@NERInstitute.net
www.NERInstitute.net



Research for new economic policies